

ABRAXAS PETROLEUM CORP
Form SC 13G
January 30, 2013

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13G

Under the Securities Exchange Act of 1934

(Amendment No:)

ABRAXAS PETROLEUM CORP.

(Name of Issuer)

Common Stock

(Title of Class of Securities)

003830106

(CUSIP Number)

December 31, 2012

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

- Rule 13d-1(b)
- Rule 13d-1(c)
- Rule 13d-1(d)

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. 003830106

(1) Names of reporting persons. BlackRock, Inc.

(2) Check the appropriate box if a member of a group
(a)

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(b) [X]

(3) SEC use only

(4) Citizenship or place of organization

Delaware

Number of shares beneficially owned by each reporting person with:

(5) Sole voting power

5053257

(6) Shared voting power

None

(7) Sole dispositive power

5053257

(8) Shared dispositive power

None

(9) Aggregate amount beneficially owned by each reporting person

5053257

(10) Check if the aggregate amount in Row (9) excludes certain shares

(11) Percent of class represented by amount in Row 9

5.46%

(12) Type of reporting person

HC

Item 1.

Item 1(a) Name of issuer:

ABRAXAS PETROLEUM CORP.

Item 1(b) Address of issuer's principal executive offices:

500 N Loop 1604 E Ste 100
San Antonio TX 78232

Item 2.

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2(a) Name of person filing:

BlackRock, Inc.

2(b) Address or principal business office or, if none, residence:

BlackRock Inc.
40 East 52nd Street
New York, NY 10022

2(c) Citizenship:

See Item 4 of Cover Page

2(d) Title of class of securities:

Common Stock

2(e) CUSIP No.:

See Cover Page

Item 3.

If this statement is filed pursuant to Rules 13d-1(b), or 13d-2(b) or (c), check whether the person filing is a:

- Broker or dealer registered under Section 15 of the Act;
- Bank as defined in Section 3(a)(6) of the Act;
- Insurance company as defined in Section 3(a)(19) of the Act;
- Investment company registered under Section 8 of the Investment Company Act of 1940;
- An investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E);
- An employee benefit plan or endowment fund in accordance with Rule 13d-1(b)(1)(ii)(F);
- A parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G);
- A savings associations as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813);
- A church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940;
- A non-U.S. institution in accordance with Rule 240.13d-1(b)(1)(ii)(J);
- Group, in accordance with Rule 240.13d-1(b)(1)(ii)(K). If filing as a non-U.S. institution in accordance with Rule 240.13d-1(b)(1)(ii)(J), please specify the type of institution:

Item 4. Ownership

Provide the following information regarding the aggregate number and percentage of the class of securities of the issuer identified in Item 1.

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Amount beneficially owned:

5053257

Percent of class

5.46%

Number of shares as to which such person has:

Sole power to vote or to direct the vote

5053257

Shared power to vote or to direct the vote

None

Sole power to dispose or to direct the disposition of

5053257

Shared power to dispose or to direct the disposition of

None

Item 5.

Ownership of 5 Percent or Less of a Class. If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than 5 percent of the class of securities, check the following [].

Item 6. Ownership of More than 5 Percent on Behalf of Another Person

If any other person is known to have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, such securities, a statement to that effect should be included in response to this item and, if such interest relates to more than 5 percent of the class, such person should be identified. A listing of the shareholders of an investment company registered under the Investment Company Act of 1940 or the beneficiaries of employee benefit plan, pension fund or endowment fund is not required.

Various persons have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of the common stock of

ABRAXAS PETROLEUM CORP..

No one person's interest in the common stock of

ABRAXAS PETROLEUM CORP.

is more than five percent of the total outstanding common shares.

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Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company or Control Person.

See Exhibit A

Item 8. Identification and Classification of Members of the Group

If a group has filed this schedule pursuant to Rule 13d-1(b)(ii)(J), so indicate under Item 3(j) and attach an exhibit stating the identity and Item 3 classification of each member of the group. If a group has filed this schedule pursuant to Rule 13d-1(c) or Rule 13d-1(d), attach an exhibit stating the identity of each member of the group.

Item 9. Notice of Dissolution of Group

Notice of dissolution of a group may be furnished as an exhibit stating the date of the dissolution and that all further filings with respect to transactions in the security reported on will be filed, if required, by members of the group, in their individual capacity.

See Item 5.

Item 10. Certifications

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

Signature.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: February 4, 2013
BlackRock, Inc.

Signature: Matthew J. Fitzgerald

Name/Title Attorney-In-Fact

The original statement shall be signed by each person on whose behalf the statement is filed or his authorized representative. If the statement is signed on behalf of a person by his authorized

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representative other than an executive officer or general partner of the filing person, evidence of the representative's authority to sign on behalf of such person shall be filed with the statement, provided, however, that a power of attorney for this purpose which is already on file with the Commission may be incorporated by reference. The name and any title of each person who signs the statement shall be typed or printed beneath his signature.

Attention: Intentional misstatements or omissions of fact constitute Federal criminal violations (see 18 U.S.C. 1001).

Exhibit A

Subsidiary

BlackRock Advisors, LLC
BlackRock Investment Management, LLC
BlackRock Asset Management Canada Limited
BlackRock Fund Advisors
BlackRock Institutional Trust Company, N.A.

*Entity beneficially owns 5% or greater of the outstanding shares of the security class being reported on this Schedule 13G.

Exhibit B

POWER OF ATTORNEY

The undersigned, BLACKROCK, INC., a corporation duly organized under the laws of the State of Delaware, United States (the "Company"), does hereby make, constitute and appoint each of Matthew Mallow, Howard Surloff, Edward Baer, Bartholomew Battista, Dan Waltcher, Karen Clark, Daniel Ronnen, John Stelley, Brian Kindelan, John Blevins, Richard Froio, Matthew Fitzgerald and Con Tzatzakis acting severally, as its true and lawful attorneys-in-fact, for the purpose of, from time to time, executing in its name and on its behalf, whether the Company is acting individually or as representative of others, any and all documents, certificates, instruments, statements, other filings and amendments to the foregoing (collectively, "documents") determined by such person to be necessary or appropriate to comply with ownership or control-person reporting requirements imposed by any United States or non-United States governmental or regulatory authority, including without limitation Forms 3, 4, 5, 13D, 13F, 13G and 13H and any amendments to any of the foregoing as may be required to be filed with the Securities and Exchange Commission, and delivering, furnishing or filing any such documents with the appropriate governmental, regulatory authority or other person, and giving and granting to each such attorney-in-fact power and authority to act in the premises as fully and to all intents and purposes as the Company might or could do if personally present by one of its authorized signatories, hereby ratifying and confirming all that said attorney-in-fact shall lawfully do or cause to be done by virtue hereof. Any such determination by an attorney-in-fact named

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herein shall be conclusively evidenced by such person's execution, delivery, furnishing or filing of the applicable document.

This power of attorney shall expressly revoke the power of attorney dated 30th day of November, 2011 in respect of the subject matter hereof, shall be valid from the date hereof and shall remain in full force and effect until either revoked in writing by the Company, or, in respect of any attorney-in-fact named herein, until such person ceases to be an employee of the Company or one of its affiliates.

IN WITNESS WHEREOF, the undersigned has caused this power of attorney to be executed as of this 10th day of July, 2012.

BLACKROCK, INC.

By: _ /s/ Chris Leavy
Name: Chris Leavy
Title: Chief Investment Officer

-- Bernard Berk, Director, President and Chief Executive Officer* 1,532,300(1) 6.9 Edward Neugeboren, Director* 201,063(2) ** Barry Dash, Director* 28,207(3) ** Melvin Van Woert, Director* 10,000(4) ** Veerappan Subramanian, Director and Chief Scientific Officer* 2,962,894(5) 13 Dr. Charan Behl(6)* 1,296,000(7) 6 Chris Dick, Executive Vice President of Corporate Development* 885,287(8) 4.1 Mark I. Gittelman, Chief Financial Officer* 39,999(9) ** Trellus Management Company Adam Usdan 3,450,795(10) 14.8 350 Madison Avenue, 9th Floor New York, New York 10017 Mark Fain 1,204,570(11) 5.8 237 Park Avenue, Suite 900 New York, NY 10017 Chad Comiteau 1,152,712(12) 5.5 237 Park Avenue, Suite 900 New York, NY 10017 Davidson Kempner Healthcare International Ltd. 3,735,816(13) 15.2 65 East 55th Street, 19th Floor New York, NY 10022 All Directors and Officers as a group 6,955,750(14) 26.6 ----- * The address is c/o Elite Pharmaceuticals Inc., 165 Ludlow Avenue, Northvale, NJ 07647. ** Less than 1% (1) Includes options to purchase 1,365,000 shares of Common Stock. See "Named Executive Officers." (2) Includes options and warrants to purchase an aggregate of 170,571 shares of Common Stock. (3) Represents options to purchase 10,000 shares of Common Stock, 20 shares of Series C Preferred Stock convertible into 8,621 shares of Common Stock and warrants to purchase 2,586 shares of Common Stock. 13 (4) Represents options to purchase shares of Common Stock. (5) Includes options to purchase 1,500,000 shares of Common Stock which are owned by Dr. Subramanian and 957,396 shares of Common Stock and warrants to purchase 478,698 shares of Common Stock which are owned by VGS Pharma, LLC ("VGS"), a wholly-owned subsidiary of Kali Capital, L.P., which is controlled by Kali Management, LLC ("KALI"), its general partner, and Kali is controlled by the daughter of Dr. Subramanian, its managing member. Dr. Subramanian disclaims beneficial ownership of these shares of Common Stock, except to the extent of his pecuniary interest therein, if any. (6) Dr. Behl was Executive Vice President and Chief Scientific Officer from March 9, 2006 to February 9, 2007 and has been Head of Technical Affairs since February 9, 2007. See "Named Executive Officers." (7) Includes warrants to purchase 130,000 shares of Common Stock and options to purchase 750,000 shares of Common Stock. See "Named Executive Officers." (8) Includes options to purchase 850,000 shares of Common Stock and warrants held by Mr. Dick and Hedy Rogers as joint tenants to purchase 10,479 shares of Common Stock. (9) Represents options to purchase shares of Common Stock. (10) Based on information provided by Trellus Management Company, LLC ("TMC") and Adam Usdan in the Schedule 13G filed February 13, 2007 and also based on information set forth in Form S-3 filed on May 24, 2007. Includes 862,068 shares of Common Stock issuable upon conversion of Series C Preferred Stock held in the aggregate by Trellus Partners L.P. ("TP"), Trellus Partners II L.P. ("TPI") and Trellus Offshore Fund Limited ("TPOF"), 888,889 shares of Common Stock issuable upon conversion of shares of Series B Preferred Stock held by TP and 703,063 shares of Common Stock issuable upon exercise of warrants held in the aggregate by TP, TPI and TPOF. Adam Usdan is President of TMC. Adam Usdan and TMC share voting power and dispositive power over the shares.

Notwithstanding the inclusion of the aforementioned beneficial ownership calculation, pursuant to our Certificate of Designation of Preferences, Rights and Limitations of Series C 8% Preferred Stock, the Amended Certificate of Designations of the Series B 8% Convertible Preferred Stock and the Common Stock Purchase Warrant for the aforementioned warrants, the number of shares of Common Stock into which the Series C 8% Preferred Stock and Series B 8% Preferred Stock are convertible and the warrants are exercisable is limited to that number of shares of Common Stock which would result in the Adam Usdan and TMC affiliated entities having aggregate beneficial ownership of not more than 9.99% of the total issued and outstanding shares of Common Stock. (11) Based on information provided by Mark Fain and Chad Comiteau in their Schedule 13G/A filed February 6, 2007. Mark Fain beneficially owned 1,204,570 shares of Common Stock, which amount includes (i) 179,967 shares beneficially owned by Mr. Fain over which he has sole voting power and sole dispositive power; (ii) 33,333 convertible shares beneficially owned by Mr. Fain over which he has sole voting power and sole dispositive power; (iii) 33,000 shares beneficially owned by Stratford Management Money Purchase Pension Plan over which Mr. Fain has shared voting power and shared dispositive power; (iv) 808,270 shares beneficially owned by Stratford Partners, L.P. of which Mr. Fain is a Managing Member, and over which Mr. Fain has shared voting power and shared dispositive power; and (v) 150,000 convertible shares beneficially owned by Stratford Partners, L.P. over which Mr. Fain has shared voting power and shared dispositive power. (12) Based on information provided by Mark Fain and Chad Comiteau in their Schedule 13G/A filed February 6, 2007. Chad Comiteau beneficially owned 1,152,712 shares of Common Stock which amount includes (i) 187,047 shares beneficially owned by Mr. Comiteau over which he has sole voting power and sole dispositive power; (ii) 32,665 convertible shares beneficially owned by Mr. Comiteau over which he has sole voting power and sole dispositive power; (iii) 33,000 shares beneficially owned by Stratford Management Money Purchase Pension Plan over which he has shared voting power and shared dispositive power; (iv) 808,270 shares beneficially owned by Stratford Partners, L.P. of which Mr. Comiteau is a Managing Member, 14 and over which Mr. Comiteau has shared voting power and shared dispositive power; and (v) 150,000 convertible shares beneficially owned by Stratford Partners, L.P. over which Mr. Comiteau has shared voting power and shared dispositive power. (13) Davidson Kempner Healthcare International Ltd. ("DKHI") and its affiliates, Davidson Kempner Partners ("DKP"), Davidson Kempner Institutional Partners, L.P. ("DKIP"), M.H. Davidson & Co. ("CO"), Davidson Kempner International, Ltd. ("DKIL"), Serena Limited ("Serena"), Davidson Kempner Healthcare Fund LP ("DKHF"), MHD Management Co., Davidson Kempner Advisors Inc., Davidson Kempner International Advisors, L.L.C., DK Group LLC, DK Management Partners LP, DK Stillwater GP LLC, Thomas L. Kempner, Jr., Marvin H. Davidson, Stephen M. Dowicz, Scott E. Davidson, Michael J. Leffell, Timothy I. Levart, Robert J. Brivio, Jr., Anthony A. Yoseloff, Eric P. Epstein and Avram Z. Friedman jointly filed a Schedule 13G, dated May 11, 2007, reflecting the beneficial ownership, subject to an ownership limitation, of an aggregate of 6,667 Series C 8% Preferred Stock convertible into 2,873,707 shares of common stock and 862,109 warrants exercisable into 862,109 shares of Common Stock as a result of their voting and dispositive power over 6,667 Series C 8% Preferred Stock convertible into 2,873,707 shares of Common Stock and 862,109 warrants exercisable into 862,109 beneficially owned by DKP, DKIP, DKIL, Serena, CO, DKHF and DKHI. Notwithstanding, the inclusion of the aforementioned beneficial ownership calculation, pursuant to our Certificate of Designation of Preferences, Rights and Limitations of Series C 8% Preferred Stock and the Common Stock Purchase Warrant for the aforementioned warrants, the number of shares of Common Stock into which the Series C 8% Preferred Stock are convertible and the warrants are exercisable is limited to that number of shares of Common Stock which would result in the Davidson Kempner affiliated entities having aggregate beneficial ownership of not more than 9.99% of the total issued and outstanding shares of Common Stock. The above information was obtained from such Schedule 13G. (14) Includes options and warrants to purchase an aggregate of 5,325,954 shares of Common Stock. 15 **COMPENSATION DISCUSSION AND ANALYSIS SUMMARY** Our approach to executive compensation, one of the most important and also most complex aspects of corporate governance, is influenced by our belief in rewarding people for consistently strong execution and performance. We believe that the ability to attract and retain qualified executive officers and other key employees is essential to our long term success. **COMPENSATION LINKED TO ATTAINMENT OF PERFORMANCE GOALS** Our plan to obtain and retain highly skilled employees is to provide significant incentive compensation opportunities and market competitive salaries. The plan was intended to link individual employee objectives with overall company strategies and results, and to reward executive officers and significant employees for their individual contributions to those strategies and results. We use compensation and performance data from comparable companies in the pharmaceutical

industry to establish market competitive compensation and performance standards for our employees. Furthermore, we believe that equity awards serve to align the interests of our executives with those of our stockholders. As such, equity is a key component of our compensation program.

NAMED EXECUTIVE OFFICERS The named executive officers for fiscal year ended March 31, 2007 are Bernard Berk, President and Chief Executive Officer; Mark I. Gittelman, Chief Financial Officer; Christopher Dick, Executive Vice President of Corporate Development; Charan Behl, Chief Scientific Officer until February 9, 2007, Head of Technical Affairs since February 9, 2007; and Veerappan Subramanian, Chief Scientific Officer since February 9, 2007. These individuals are referred to collectively in this Proxy Statement as the "Named Executive Officers."

MR. BERK, age 58, was appointed President and Chief Executive Officer in June 2003 and a Director in February 2004. See "Election of Directors - Board of Directors' Nominees" for his business background.

DR. SUBRAMANIAN, age 56, was appointed Chief Scientific Officer in February 2007 and a Director in December 2006. See "Election of Directors - Board of Directors' Nominees" for his business background.

MARK I. GITTELMAN, age 47, Chief Financial Officer, Secretary and Treasurer of the Company, is the President of Gittelman & Co., P.C., an accounting firm in Clifton, New Jersey. Prior to forming Gittelman & Co., P.C. in 1984, he worked as a certified public accountant with the international accounting firm of KPMG Peat Marwick, LLP. Mr. Gittelman holds a B.S. in accounting from New York University and a Masters of Science in Taxation from Fairleigh Dickinson University. He is a Certified Public Accountant licensed in New Jersey and New York, and is a member of the American Institute of Certified Public Accountants ("AICPA"), and the New Jersey State and New York State Societies of CPAs. Other than Elite Labs, no company with which Mr. Gittelman was affiliated in the past was a parent, subsidiary or other affiliate of the Company.

CHRIS DICK, age 52, was appointed Executive Vice President of Corporate Development in March, 2006. Since November 2002, the Company has engaged Mr. Dick to direct its licensing and business development activities. From 1999 to 2002, Mr. Dick served as Director of Business Development for Elan Drug Delivery, Inc. responsible for licensing and business development of Elan's portfolio of drug delivery technologies. From 1997 to 1999, he was Manager of Business Development and Marketing for EnTec, a drug delivery business unit within FMC Corporation's Pharmaceutical Division. Prior thereto he held various other business and technical positions at FMC Corporation, including Manager of Marketing for its pharmaceutical functional coatings product line. Mr. Dick holds an M.B.A. from the Stern School of Business, New York University, and a B.S. and M.S. in Chemical Engineering from Cornell University.

DR. CHARAN BEHL, age 55, was appointed Head of Technical Affairs in February 2007 and was previously Executive Vice President and Chief Scientific Officer of the Company from March 2006 to February 2007. Dr. Behl has provided the Company since June 2003 consulting technological services as an independent contractor. He was from January 1995 to July 1998 Vice President of R&D and from July 1988 to January 2001 Executive Vice President of R&D of Natestch Pharmaceutical Corporation, Inc. From April 1981 to November 1994, Dr. Behl was employed by Hoffman La Roche, where he held a number of positions, including research leader of its Pharmaceutical R&D Department. During his tenure at Roche and Natestch, Dr. Behl created intellectual property in the area of drug delivery. His patent portfolio includes over 40 patents issued, pending and in preparation. Dr. Behl holds a B.S. in Pharmaceutical Sciences from BITS, Pilani, India, an M.S. in Pharmaceutics from Duquesne University, under the mentorship of Dr. Alvin M. Galinsky, and a Ph.D. in Pharmaceutical Sciences from the University of Michigan, under the mentorship of Dr. William I. Higuchi. Dr. Behl was an Assistant Research Scientist from 1978 to 1981 at the University of Michigan. Dr. Behl is internationally known for his scientific and professional activities. He has coauthored over 200 publications, including research articles, book chapters, and abstracts, and has made numerous presentations at national and international conferences and workshops. In conjunction with associates from academia and industry and representatives of the FDA, Dr. Behl has co-organized several workshops and symposia. He was the founding chair of Nasal Drug Delivery Focus Group formed in 1995 under the auspices of the American Association of Pharmaceutical Scientists ("AAPS"), and served as its Chairman from 1995 to 2001. Dr. Behl is a fellow of the AAPS.

OUR EXECUTIVE COMPENSATION PROGRAM OVERVIEW The primary elements of our executive compensation program are base salary, incentive cash and stock bonus opportunities and equity incentives typically in the form of stock option grants. Although we provide other types of compensation, these three elements are the principal means by which we provide the Named Executive Officers with compensation opportunities. The emphasis on the annual bonus opportunity and equity compensation components of the executive compensation program reflect our belief that a large portion of an executive's compensation should be performance-based. This compensation is performance-based because payment is tied to the achievement of corporate performance goals. To the extent that

performance goals are not achieved, executives will receive a lesser amount of total compensation. We have entered into employment agreements with three of our Named Executive Officers. Such employment agreements set forth base salaries, bonuses and stock option grants. Such stock option grants are predicated on our achievement of corporate performance goals as set forth in such agreements.

ELEMENTS OF OUR EXECUTIVE COMPENSATION PROGRAM

BASE SALARY We pay a base salary to certain of the Named Executive Officers. In general, base salaries for the Named Executive Officers are determined by evaluating the responsibilities of the executive's position, the executive's experience and the competitive marketplace. Base salary adjustments are considered and take into account changes in the executive's responsibilities, the executive's performance and changes in the competitive marketplace. We believe that the base salaries of the Named Executive Officers are appropriate within the context of the compensation elements provided to the executives and because they are at a level which remains competitive in the marketplace.

BONUSES The Board of Directors may authorize us to give discretionary bonuses, payable in cash or shares of common stock, to the Named Executive Officers and other key employees. Such bonuses are designed to motivate the Named Executive Officers and other employees to achieve specified corporate, business unit and/or individual, strategic, operational and other performance objectives.

17 During the fiscal year ended March 31, 2007, the Company awarded bonuses of \$25,000 each to Charan Behl and Chris Dick in accordance with the terms of their employment agreements.

STOCK OPTIONS Stock options constitute performance-based compensation because they have value to the recipient only if the price of our common stock increases. Stock options for each of the Named Executive Officers generally vest over time, obtainment of a corporate goal or a combination. The grant of stock options at Elite is the centerpiece of our compensation program and is designed to motivate our Named Executive Officers to achieve our short term and long term corporate goals. As the pharmaceutical industry is characterized by a long product development cycle, including a lengthy research and product-testing period and a rigorous approval phase involving human testing and governmental regulatory approval, many of the traditional benchmarking metrics for vesting, such as product sales, revenues and profits are inappropriate for an early-stage pharmaceutical company such as Elite. We consider when determining vesting benchmarks the following which are aligned with our short term and long term corporate goals: o clinical trial progress; o achievement of regulatory milestones; and o establishment of key strategic relationships.

RETIREMENT AND DEFERRED COMPENSATION BENEFITS We do not presently provide the Named Executive Officers with a defined benefit pension plan or any supplemental executive retirement plans, nor do we provide the Named Executive Officers with retiree health benefits. We have adopted a deferred compensation plan under Code Section 401(k) of the Internal Revenue Service Code. The Plan provides for employees to defer compensation on a pretax basis subject to certain limits, however, Elite does not provide a matching contribution to its participants. The retirement and deferred compensation benefits provided to the Named Executive Officers are not material factors considered in making other compensation determinations with respect to Named Executive Officers.

PERQUISITES As described in more detail below, the perquisites provided to certain of the Named Executive Officers consists of car and parking allowances and in the case of the Chief Executive Officer, life insurance premiums. These perquisites represent a small fraction of the total compensation of each such Named Executive Officer. The value of the perquisites we provide are taxable to the Named Executive Officers and the incremental cost to us of providing these perquisites is reflected in the Summary Compensation Table. The Board of Directors believes that the perquisites provided are reasonable and appropriate. For more information on perquisites provided to the Named Executive Officers, please see the All Other Compensation column of the Summary Compensation Table on page 23 of this Proxy Statement and "Agreements with Named Executive Officers" below.

POST-TERMINATION/ CHANGE OF CONTROL COMPENSATION In addition to retirement and deferred compensation benefits described above, we have arrangements with certain of the Named Executive Officers that may provide them with compensation following termination of employment. These arrangements are discussed below under "Agreements with Named Executive Officers".

18 **TAX IMPLICATIONS OF EXECUTIVE COMPENSATION** Our aggregate deductions for each Named Executive Officer compensation are potentially limited by Section 162(m) of the Internal Revenue Code to the extent the aggregate amount paid to an executive officer exceeds \$1.0 million, unless it is paid under a predetermined objective performance plan meeting certain requirements, or satisfies one of various other exceptions specified in the Internal Revenue Code. At our 2006 Named Executive Officer compensation levels, we did not believe that Section 162(m) of the Internal Revenue Code would be applicable, and accordingly, we did not consider its impact in determining compensation levels for our Named Executive Officers in 2006.

AGREEMENTS WITH NAMED EXECUTIVE OFFICERS Messrs Berk, Dick and Dr.

Behl ----- On November 13, 2006, we entered into (i) the Second Amended and Restated Employment Agreement with Mr. Berk, our President, Chief Executive Officer and Chairman of the Board of Directors (the "BERK AGREEMENT"); (ii) an employment agreement with Dr. Behl as Executive Vice President and Chief Scientific Officer (the "BEHL AGREEMENT"); and (iii) an employment agreement with Mr. Dick as Executive Vice President of Corporate Development (the "DICK AGREEMENT"). The employment agreement with Dr. Behl was subsequently amended and restated on February 9, 2007, under which Dr. Behl's position was changed from Chief Scientific Officer to Head of Technical Affairs and he is to report to our Chief Executive Officer, Chief Scientific Officer and any additional executive officer designated by the Board of Directors. The Berk Agreement provides for a base annual salary of \$330,140 (his current salary) which may at the discretion of the Board of Directors be increased in light of factors including our existing financial condition and Mr. Berk's success in implementing our business plan and achieving our strategic alternatives. Mr. Berk is entitled to an automobile allowance of \$800 per month. The Behl and Dick Agreements provide for an initial base annual salary of \$250,000 and \$200,000, respectively, a guaranteed bonus of \$25,000 payable on January 1, 2007 and within 30 calendar days of the end of each fiscal year during the term and a \$700 per month automobile allowance. Each of the three agreements provides for payment of a discretionary bonus following the end of each fiscal year of up to 50% of the executive's then annual base salary. The amount, if any, of the discretionary bonus will be determined by the Compensation Committee as to Mr. Berk and by the Board of Directors or a Compensation Committee as to Dr. Behl and Mr. Dick. Mr. Berk's bonus is to be based on any commercialization of products, merger or acquisition, business combination or collaborations, growth in revenues and earnings, additional financings or other strategic business transaction that inure to the benefit of our stockholders. The bonus, if any, may be paid in cash or shares of common stock, valued at the closing price of the common stock on the immediately preceding trading day. The discretionary bonus which may be paid to Dr. Behl or Mr. Dick is to be based on the achievement of goals discussed with the executive in good faith and within a reasonable time following the commencement of each fiscal year and may be paid in cash or shares of our common stock valued at the average of the closing price per share during the five trading days immediately preceding the date of issuance of the shares. Each of Dr. Behl's and Mr. Dick's agreement provides for the grant under the 2004 Stock Option Plan (the "2004 PLAN") to the executive at an exercise price of \$2.25 of options to purchase 250,000 shares. The Berk, Behl and Dick Agreements each provide for the grant to the executive of options at the foregoing exercise price to purchase up to 300,000 additional shares (the "OPIOID PRODUCT OPTIONS") which are to vest in two 150,000 share tranches upon the closing of an exclusive product license for the United States national market, the entire European Union Market or the Japan market or a product sale transaction of all our ownership rights in the United States (only once for each product) for our first drug developed by us for which the United States Food and Drug Administration (the "FDA") approval will be sought under a NDA (including a 505(b) (2) application) for oxycodone, hydrocone, hydromorphone, oxymorphone, or morphine ("NON-GENERIC 19 OPIOID PRODUCT") as to the first tranche and as to our second Non-Generic Opioid Drug for the second tranche. The Berk Agreement provides for the amendment of the vesting of options as to 400,000 shares which had been granted on September 2, 2005 to Mr. Berk at an exercise price of \$2.69 per share ("BERK'S PREVIOUS MILESTONE OPTIONS") and the Behl and Dick Agreements provides for the grant of options at the exercise price of \$2.25 per share for each of Behl and Dick as to 200,000 shares (collectively along with Mr. Berk's Previous Milestone Options, the "MILESTONE OPTIONS") with the Milestone Options of each of the three executives to vest (A) as to not more than 125,000 shares and 75,000 shares, respectively, upon the commencement of the first Phase III clinical trial relating to the first and then the second Non-Generic Opioid Drug developed by us; (B) 50,000 shares upon the closing of each product license or product sale transaction (on a product by product basis and only once for each product) other than Non-Generic Opioid Drugs for which options were granted above; (C) 10,000 shares upon the filing by us (in our name) with the FDA of either an ANDA or an NDA (including an application filed with the FDA under Section 505(b)(2) of the Federal, Food, Drug, and Cosmetic Act, 21 U.S.C. Section 301 et seq.) (collectively, a "NDA"), for a product not covered by a previous FDA application; (D) 40,000 shares upon the approval by the FDA of any ANDA or NDA (filed in our name) for a product not previously approved by the FDA; (E) 25,000 shares upon the filing of an application for a U.S. patent by us (in our name); and (F) 25,000 shares upon the granting by the U.S. Patent and Trademark Office (the "PTO") of a patent to us filed in our name or an approval of an ANDA or NDA; provided, however the foregoing options terminate upon the executive's termination of employment except that options under (D) and (F) nevertheless vest if the filing was made during the initial term but prior to termination of the executive's

employment by us without cause and the approval was made within 540 days of the filing of the ANDA, NDA or patent application. We also agreed that in the event that, as to Mr. Berk, all of the options to purchase the full 400,000 Mr. Berk's Previous Milestone Options have fully vested during the initial term of the agreement and as to each of Dr. Behl and Mr. Dick all 200,000 Milestone Options have fully vested during the initial term of his agreement, we will grant under the Plan to the executive at the end of the first current fiscal year in which the following event occurs fully vested additional options to purchase the following shares at the fair market value on the date of grant (the "ADDITIONAL MILESTONE OPTIONS"): (a) to the extent not previously vested with respect to his comparable Milestone Options: (i) up to 125,000 shares upon the commencement of the first Phase III clinical trial relating to the first Non-Generic Opioid Drug developed by us; and (ii) up to an additional 125,000 shares as to such trial relating to the second Non-Generic Opioid Drug developed by us, (b) 50,000 shares upon the closing of each product license for the United States national market or product sale transaction of all ownership rights (on a product by product basis and only once for each product); (c) 10,000 shares upon the filing by us (in our name) with the FDA of either an ANDA or NDA for a product not covered by a previous FDA application for each drug product of us, other than the Non-Generic Opioid Drugs for which any Opioid Option was granted under the Agreement; (d) 40,000 shares upon the approval by the FDA of any ANDA, NDA or 505(b)(2) application filed in our name for a product not previously approved by the FDA; (e) 25,000 shares in the event of the filing of an application of an additional U.S. patent by us (filed in our name); and (f) 25,000 shares in the event of the granting by the PTO of the foregoing additional patent applications to us (filed in our name). The Berk Agreement acknowledges that Mr. Berk holds previously granted incentive stock options to purchase 725,000 shares, of which 300,000 vested options are exercisable at \$2.01 per share, 225,000 vested options are exercisable at \$2.15 per share and 100,000 vested options are exercisable at \$2.69 per share, and the remaining 100,000 options, which vest on September 2, 2007, are exercisable at \$2.69 per share. Each employment agreement allows us at our discretion to grant to the executive additional options under the 2004 Plan and provides each executive the right to register at our expense for reoffering shares issued upon exercise of the options under the Securities Act of 1933, as amended, in certain registration statements filed by us with respect to offerings of securities by us. 20 Berk's Agreement provides that if we terminate his employment due to his permanent disability, without cause or he terminates his employment for good reason, Mr. Berk shall be entitled to the following severance: (i) any earned but unpaid base salary plus any unpaid reimbursable expenses as of the effective date of termination of his employment, (ii) the then-current base salary and reimbursement of the cost to replace the life and disability insurance coverages afforded to Mr. Berk under our benefit plans with substantially similar coverages, following the effective date of termination of his employment, for a period equal to the greater of (x) the remainder of the then-current term, or (y) two years following the effective date of termination and (iii) payment by us of premiums for health insurance for the period during which Mr. Berk is entitled to continued health insurance coverage as specified in the Comprehensive Omnibus Budget Reconciliation Act. In the event that we terminate Mr. Berk's employment because of his permanent disability, Mr. Berk is to be entitled to the severance specified above, less any amounts actually received by him under any disability insurance coverage provided for and paid by us. In the event that we terminate Mr. Berk's employment for cause or Mr. Berk terminates his employment with us without good reason, Mr. Berk shall be entitled to any earned but unpaid base salary plus any unpaid reimbursable expenses as of the effective date of termination of his employment. Berk's Agreement provides that in the event of a change of control in lieu of any severance that may otherwise be payable to him if Mr. Berk elects to terminate his employment for any reason within 90 days thereof, or we elect to terminate his employment within 180 days thereof, other than for cause, he is to be entitled to the following: (i) any earned but unpaid base salary plus any unpaid reimbursable expenses as of the effective date of termination of his employment, (ii) \$1,000,000, (iii) the then-current base salary for a period of 12 months following the effective date of termination, (iv) reimbursement of the cost, for a period of 12 months following the effective date of termination, of replacing the life and disability insurance coverage afforded to Mr. Berk under our benefit plans with substantially similar coverage and (v) payment by us of premiums for health insurance for the period during which Mr. Berk is entitled to continued health insurance coverage as specified in the Comprehensive Omnibus Budget Reconciliation Act. Each of Behl's and Dick's Agreements provide that in the event we terminate his employment for "Cause" as defined in the agreement or the executive terminates employment without good reason, he is to receive salary through date of termination, reimbursement for expenses incurred prior to termination, all unvested options will terminate as of the date of termination and vested options will be governed by the terms of the 2004 Plan and the related option agreement. In the event of a termination due to death, disability or by

us without cause or by Dr. Behl or Mr. Dick for good reason, we are to pay him or his estate subject to his compliance with certain covenants, including non-competition, non-solicitation, confidentiality and assignment of intellectual property, his base salary for the longer of the balance of the initial term or one year from date of termination, continue health insurance coverage for 12 months from termination and his vested options are to be exercisable for 90 days from date of termination. Dr. Behl's amended agreement provides that the definition of "cause" has been amended to include a determination by the Board of Directors, in its sole discretion, that the employment of Dr. Behl should terminate, provided that such termination will be effective on the 30th day after the written notice to Dr. Behl of such determination. In the event the employment of Dr. Behl or Mr. Dick is terminated by us following a "Change of Control" of Elite, each will be entitled to the amounts payable as a result of termination by us without cause plus a lump sum payment of \$500,000 and all unvested options shall immediately vest and along with unexercised vested options be exercisable within 90 days from the date of termination. "Change of control" is defined in each of their agreements as the acquisition of Elite pursuant to a merger or consolidation which results in the reduction to less than 50% of the shares outstanding upon consummation of the holders of its outstanding shares immediately prior thereto or sale of substantially all our assets or capital stock to another person, or the acquisition by a person or a related group in a single transaction or a series of related transaction of more than 50% of the combined voting power of Elite's outstanding voting securities. 21 Berk's Agreement contains his non-solicitation covenant for a period of one year from termination. Each of Dr. Behl and Mr. Dick has agreed to a one-year following termination non-competition covenant and a two year following termination non-solicitation covenant. The executives are to be reimbursed for expenses (including business, travel and entertainment) reasonably incurred in the performance of their duties, with Dr. Behl's and Mr. Dick's agreements providing that reimbursement of expenses in excess of \$2,000 per month are subject to the approval of our Chief Executive Officer. Each of the executives is entitled to participate in such employee benefit and welfare plans and programs, which may be offered to our senior executives including life insurance, health and accident, medical plans and programs and profit sharing and retirement plans. Each employment agreement is for an initial term ending November 13, 2009, subject to automatic one-year renewals unless terminated by the executive or us upon at least 60 days notice prior to the end of the then scheduled expiration date. We have the right to terminate Mr. Berk's employment in the event of his inability to perform work due to physical or mental illness or injury for nine full calendar months during any eight consecutive calendar months. We have the right to terminate Dr. Behl's or Mr. Dick's employment due to disability as defined in a long-term disability insurance policy reasonably satisfactory to him or, in the absence of such policy, due to Dr. Behl's or Mr. Dick's, as the case may be, inability for 120 days in any 12 month period to substantially perform his duties as a result of a physical or mental illness. Mr. Gittelman ----- On February 26, 1998, we entered into an agreement with Gittelman & Co., P.C., whereby fees are paid to Gittelman & Co., P.C., a firm wholly-owned by Mark I. Gittelman, our Chief Financial Officer, Secretary and Treasurer, in consideration for services rendered by the firm as internal accountant and financial and management consultant. The firm's services include the services rendered by Mr. Gittelman in his capacity as Chief Financial Officer, Secretary and Treasurer. For the fiscal years ended March 31, 2007, 2006 and 2005, the fees paid by us under the agreement were \$151,214, \$154,704, and \$111,312. The services rendered by the firm to us averaged 98, 103 and 84 hours per month, respectively, of which an average of 25 hours per month were services rendered by him in his capacity as an officer of Elite. Dr. Subramanian ----- Dr. Subramanian entered into an Advisory Services Agreement with us on December 6, 2006, the terms of which are summarized under the caption "Certain Related Person Transactions" on page 35 below. HEDGING POLICY We do not permit the Named Executive Officers, to "hedge" ownership by engaging in short sales or trading in any options contracts involving our securities. 22 COMPENSATION OF EXECUTIVE OFFICERS SUMMARY COMPENSATION TABLE The table below summarizes the compensation information in respect of the Named Executive Officers for the fiscal years ended March 31, 2007, 2006 and 2005. CHANGE IN PENSION VALUE AND NONQUALIFIED NON-EQUITY DEFERRED STOCK OPTION INCENTIVE PLAN COMPENSATION ALL OTHER BONUS AWARDS AWARDS COMPENSATION EARNINGS COMPENSATION YEAR SALARY (2) (3) (4) TOTAL NAME AND (1) PRINCIPAL POSITION (\$) (\$) (\$) (\$) (\$) (\$) (3) -----

(1) PRINCIPAL POSITION	(2) YEAR	(3) SALARY	(4) BONUS	(5) DEFERRED STOCK	(6) INCENTIVE PLAN	(7) ALL OTHER AWARDS	(8) TOTAL
Bernard Berk	2006-07	393,203	574,422	21,260(7)	988,885		President and Chief Executive
Bernard Berk	2005-06	344,295	150,000	379,439	873,734		Officer
Mark Gittelman	2006-07	83,293	83,293		200,000	50,000	Chief Financial Officer
Mark Gittelman	2005-06	23,100	23,100				
Christopher Dick	2006-07	168,750	25,000	482,037	3,150(8)		

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678,937 Executive Vice President of 2005-06 150,000 25,000 -- -- -- -- 175,000 Corporate Development 2004-05
 140,250 25,000 -- 76,687 -- -- -- 241,937 Charan Behl(5) 2006-07 344,135 25,000 -- 482,037 -- -- -- 851,172 Head of
 Technical Affairs 2005-06 450,000 -- -- -- -- 450,000 2004-05 392,455(6) -- -- -- -- 392,455 Veerappan
 Subramanian 2006-07 -- -- -- 1,114,445 -- -- -- 1,114,445 Chief Scientific 2005-06 -- -- -- -- Officer 2004-05

----- (1) The information is provided for each fiscal year which begins on April 1 and ends on
 March 31. (2) Bonuses paid to Mr. Berk represent discretionary bonuses and bonuses paid to Mr. Dick and Dr. Behl
 represent guaranteed bonuses. (3) No stock awards were granted to the Named Executive Officers in the fiscal years
 ended March 31, 2007, 2006 and 2005. (4) The amounts reflect the compensation expense in accordance with FAS
 123(R) of these option awards. The assumptions used to determine the fair value of the option awards for fiscal year
 ended March 31, 2007 are set forth in Note 3 of our financial statements included in our Form 10-Q for the quarter
 ended December 31, 2006. The assumptions used to determine the fair value of the option awards for fiscal years
 ended March 31, 2006 and 2005 are set forth in Note 9 of our audited consolidated financial statements included in
 our Form 10-K for fiscal year ended March 31, 2006. Our Named Executive Officers will not realize the value of
 these awards in cash unless and until these awards are exercised and the underlying shares subsequently sold. (5) Dr.
 Behl was Executive Vice President and Chief Scientific Officer from March 9, 2006 to February 9, 2007 and has been
 Head of Technical Affairs since February 9, 2007. (6) Includes \$229,325 of fees paid by the issuance to Dr. Behl of
 units, each consisting of (i) a share of Series A Preferred Stock convertible into ten shares of Common Stock and (ii)
 ten common stock purchase warrants, at the rate of \$12.30 per unit. (7) Represents \$16,345 for auto and parking
 allowance and \$4,915 for life insurance premiums. (8) Represents \$3,150 for auto and parking allowance. 23

GRANTS OF PLAN-BASED AWARDS The following table sets forth information regarding grants of plan based
 awards to the Named Executive Officers during the fiscal year ended March 31, 2007. ALL OTHER STOCK ALL
 GRANT AWARDS: OTHER DATE NUMBER OPTION EXERCISE FAIR ESTIMATED FUTURE PAYOUTS OF
 AWARDS: OR VALUE ESTIMATED POSSIBLE PAYOUTS UNDER SHARES NUMBER BASE OF UNDER
 NON-EQUITY INCENTIVE EQUITY INCENTIVE PLAN OF OF PRICE STOCK PLAN AWARDS AWARDS
 STOCK SECURITIES OF AND ----- OR UNDERLYING OPTION
 OPTION GRANT THRESHOLD TARGET MAXIMUM THRESHOLD TARGET MAXIMUM UNITS OPTIONS
 AWARDS AWARDS NAME DATE (\$) (\$) (\$) (#) (#) (#) (#) (#) (\$/SH) (1) -----

AWARDS	AWARDS	NAME	DATE	(\$)	(\$)	(\$)	(#)	(#)	(#)	(#)	(#)	(\$/SH)	(1)
		Bernard Berk	11.13.06				300,000	(3)	(4)			\$3.00	(8)
\$411,000		President and Chief Executive Officer Mark Gittelman	05.3.06				70,000	(2)				\$2.26	\$116,200
		Chief Financial Officer Christopher Dick	11.13.06				750,000	(3)	(4)	(5)	(6)	\$2.25	(9) \$1,027,500
		Executive Vice President of Corporate Development Charan Behl	11.13.06				750,000	(3)	(4)	(5)	(6)	\$2.25	(9)
\$1,027,500		Head of Technical Affairs Veerappan Subramanian	12.06.06				1,750,000	(7)				\$2.13	(10)

\$2,380,000 Chief Scientific Officer ----- (1) The amounts reflect the compensation expense in accordance with
 FAS 123(R) of these option awards. The assumptions used to determine the fair value of the option awards for fiscal
 year ended March 31, 2007 are set forth in Note 3 of our quarterly financial statements included in our Form 10-Q for
 the quarter ended December 31, 2006. Our Named Executive Officers will not realize the value of these awards in
 cash unless and until these awards are exercised and the underlying shares subsequently sold. (2) Represents options
 that vest in annual increments over a three year period on May 3, 2007, May 3, 2008 and May 3, 2009, respectively.
 (3) The options were granted under our 2004 Stock Option Plan. (4) Represents (i) 150,000 options that vest upon the
 closing of an exclusive product license for the first of the United States national market, the entire European Union
 market or the Japan market or product sale transaction of all of our ownership rights in the United States (only once
 for each individual product) for our first Non-Generic Opioid Drug; and (ii) 150,000 options that vest upon the closing
 of an exclusive product license for the United States national market, the entire European Union market or the Japan
 market or product sale transaction of all of our ownership rights in the United States (only once for each individual
 product) for our second Non-Generic Opioid Drug. (5) Represents 250,000 options that vested on November 13, 2006.
 (6) Represents 200,000 options that vest as follows: (i) upon the commencement of the first Phase III clinical trial
 relating to the first "Non-Generic Opioid Drug" developed by us as to 125,000 options and relating to the second
 "Non-Generic Opioid Drug" developed by the company as to 75,000 options; (ii) 50,000 shares of Common Stock
 shall vest and become immediately exercisable in full only upon the closing of an exclusive product license for the
 United States national market or product sale transaction of all of our ownership rights (on a product by product basis
 and only once for each individual product) for each Company drug product, other than the "Non-Generic Opioid

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\$2.21 06/13/13 -- -- -- -- 10,000(13) -- -- \$2.21 06/13/13 -- -- -- -- 40,000(14) -- -- \$2.80 07/14/15 -- -- -- --
 250,000(15) -- -- \$2.25 11/13/16 -- -- -- -- 150,000(7) \$2.25 11/13/16 -- -- -- -- 150,000(8) \$2.25 11/13/16 --
 -- -- -- -- 200,000(6) \$2.25 11/13/16 -- -- -- -- Charan Behl Head of Technical Affairs 250,000(15) -- -- \$2.25
 11/13/16 -- -- -- -- 150,000(7) \$2.25 11/13/16 -- -- -- -- 150,000(8) \$2.25 11/13/16 -- -- -- -- 200,000(6)
 \$2.25 11/13/16 -- -- -- -- Veerappan Subramanian Chief Scientific Officer 250,000(16) -- -- \$2.13 12/16/16 -- -- -- --
 250,000(16) -- -- \$2.13 12/16/16 -- -- -- -- 250,000(16) -- -- \$2.13 12/16/16 -- -- -- -- 250,000(16) \$2.13 12/16/16
 -- -- -- -- 250,000(16) \$2.13 12/16/16 -- -- -- -- 250,000(16) \$2.13 12/16/16 -- -- -- -- 250,000(16) \$2.13
 12/16/16 -- -- -- -- (1) These options vested as of June 3, 2003. (2) These options vested as of September 2,
 2005 (3) These options vested on June 22, 2004. (4) These options vest in annual increments over a three year period
 on August 30, 2006, August 30, 2007 and August 30, 2008, respectively. (5) These options vest in annual increments
 over a two year period on September 2, 2006 and September 2, 2007, respectively. 26 (6) These options vest as
 follows: (i) upon the commencement of the first Phase III clinical trial relating to the first "Non-Generic Opioid Drug"
 developed by us as to 125,000 options and relating to the second "Non-Generic Opioid Drug" developed by the
 company as to 75,000 options; (ii) 50,000 shares of Common Stock shall vest and become immediately exercisable in
 full only upon the closing of an exclusive product license for the United States national market or product sale
 transaction of all of our ownership rights (on a product by product basis and only once for each individual product) for
 each Company drug product, other than the "Non-Generic Opioid Drugs" for which the "Non-Generic Opioid Drug"
 options were granted; (iii) 10,000 options upon the filing by us (in our name) with the United States Food and Drug
 Administration (the "FDA") of either an abbreviated new drug application (an "ANDA") or a new drug application (a
 "NDA") (including a NDA filed with the FDA, for a product not covered by a previous FDA application); (iv) 40,000
 options upon the approval by the FDA of any ANDA or NDA (filed in our name) for a product not previously
 approved by the FDA; (v) 25,000 options upon filing of an application for U.S. patent by us (filed in our name); and
 (vi) 25,000 options upon the granting by U.S. Patent and Trademark Office of a patent to us (filed in our name). (7)
 These options vest upon the closing of an exclusive product license for the first of the United States national market,
 the entire European Union market or the Japan market or product sale transaction of all of our ownership rights in the
 United States (only once for each individual product) for our first Non-Generic Opioid Drug. (8) These options vest
 upon the closing of an exclusive product license for the United States national market, the entire European Union
 market or the Japan market or product sale transaction of all of our ownership rights in the United States (only once
 for each individual product) for our second Non-Generic Opioid Drug. (9) These options vested on June 22, 2004.
 (10) These options vest in annual increments over a three year period on July 14, 2006, July 14, 2007 and July 14,
 2008, respectively. (11) These options vest in annual increments over a three year period on May 3, 2007, May 3,
 2008 and May 3, 2009, respectively. (12) These options vested on November 1, 2003, 2004 and 2005, respectively.
 (13) These options vested on June 13, 2004, 2005 and 2006, respectively. (14) These options vested on July 14, 2005.
 (15) These options vested on November 13, 2006. (16) These options vest as follows: (i) 250,000 on December 6,
 2006, (ii) 250,000 on May 6, 2007, (iii) 250,000 on December 6, 2007, (iv) 250,000 on our acceptance of the initial
 business plan of Novel Laboratories, Inc. ("Novel"), (v) 250,000 on the earliest to occur of the (x) dosing of a human
 patient in the first clinical trial, (y) dosing of a human subject in the first bioequivalence study, or (z) in the event that
 neither a clinical trial nor a bioequivalence study is required under applicable law as a condition of marketing a
 Product Candidate (as defined below), the completion of stability testing of an exhibit batch of such Product
 Candidate, in each case, with respect to any drug product by us (excluding any drug products of Novel), developed
 under the advisory services to be provided by Dr. Subramanian to us under the Strategic Advisory Agreement (the
 "Advisory Services") that occurs on or after the sixtieth (60th) day after December 6, 2006 (such drug product, a
 "Product Candidate"), (vi) 250,000 on earliest to occur of (x) the completion of the first successful clinical trial for
 such Product Candidate as determined by the clinical research organization (the "CRO") performing such trial, (y) the
 completion of the first successful bioequivalence study for such Product Candidate as determined by the CRO
 performing such study that occurs on or after the sixtieth (60th) day after the date hereof, or (z) in the event that
 neither a clinical trial nor a bioequivalence study is required under applicable law as a condition of marketing such
 Product Candidate, the submission of an ANDA with the FDA, and (vii) 250,000 on earliest to occur of the (x) dosing
 of a human patient in the first clinical trial, (y) dosing of a human subject in the first 27 bioequivalence study, (z) in
 the event that neither a clinical trial nor a bioequivalence study is required under applicable law as a condition of
 marketing a Product Candidate, the completion of stability testing of an exhibit batch of such Product Candidate, in

each case, with respect to a second Product Candidate developed under the Advisory Services that occurs on or after the sixtieth (60th) day after the date hereof. **OPTION EXERCISES AND STOCK VESTED** No options have been exercised by our Named Executive Officers during fiscal year ended March 31, 2007. **PENSION BENEFITS** We do not provide pension benefits to the Named Executive Officers. **NONQUALIFIED DEFERRED COMPENSATION** We do not have any defined contribution or other plan that provides for the deferral of compensation on a basis that is not tax-qualified. **POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE OF CONTROL** Please see the discussion under "Compensation Discussion and Analysis - Agreements with Named Executive Officers." 28

COMPENSATION COMMITTEE REPORT The majority of our Board of Directors has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Board of Directors recommends that the Compensation Discussion and Analysis be included in this Proxy Statement. **BOARD OF DIRECTORS** Bernard Berk Barry Dash Melvin Van Woert Veerappan Subramanian **DIRECTOR COMPENSATION** The following table sets forth director compensation for the year ended March 31, 2007: **CHANGE IN PENSION VALUE AND FEES EARNED NON QUALIFIED OR PAID STOCK OPTION NON EQUITY DEFERRED IN CASH AWARDS AWARDS INCENTIVE PLAN COMPENSATION ALL OTHER TOTAL NAME** (\$)(1) (\$) (\$) COMPENSATION EARNINGS COMPENSATION (\$) -----

-----	Bernard Berk	\$6,000	-----	\$6,000	Edward Neugeboren				
\$6,000	-----	\$6,000	Barry Dash	\$4,000	-----	\$4,000	Melvin Van Woert	\$4,000	-----
\$4,000	Veerappan Subramanian	-----	(1)	Consists of a fee of \$2000 for each meeting attended by a Director.					

Equity Compensation ----- Members of the Board of Directors during the fiscal year ended March 31, 2006 received 30,000 options each in August 2005 and no members of the Board of Directors received any options or other equity compensation during the fiscal year ended March 31, 2007 for serving as a director. **Other Compensation** ----- We do not pay or reimburse non-employee Directors for travel expenses incurred in connection with attending Board, committee and shareholder meetings. Each Director receives \$2,000 per each meeting such Director attends. Except as described in this section, non-employee Directors do not receive any additional compensation for their services on the Board of Directors. **REVIEW AND APPROVAL OF**

TRANSACTIONS WITH RELATED PERSONS All related person transactions are reviewed and, as appropriate, may be approved or ratified by the Board of Directors. If a director is involved in the transaction, he or she may not participate in any review, approval or ratification of such transaction. Related person transactions are approved by the Board of Directors only if, based on all of the facts and circumstances, they are in, or not inconsistent with, our best interests and our stockholders, as the Board of Directors determines in good faith. The Board of Directors takes into account, among other factors it deems appropriate, whether the transaction is on terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the related person's interest in the transaction. The Board of Directors may also impose such conditions as it deems necessary and appropriate on us or the related person in connection with the transaction. 29 In the case of a transaction presented to the Board of Directors for ratification, the Board of Directors may ratify the transaction or determine whether rescission of the transaction is appropriate. **CERTAIN RELATED PERSON TRANSACTIONS** Transactions with Dr. Subramanian and VGS Pharma LLC -----

On December 6, 2006, we entered into a Strategic Alliance Agreement with Dr. Subramanian and VGS Pharma, LLC, a Delaware limited liability company ("VGS"), under which (i) Dr. Subramanian was appointed to our Board of Directors, (ii) VGS made a \$2,000,000 equity investment in Elite, (iii) we engaged Dr. Subramanian to serve as our strategic advisor on the research, development and commercialization of our existing pipeline and (iv) we, together with VGS formed Novel Laboratories Inc., a Delaware corporation ("NOVEL"), as a separate specialty pharmaceutical company for the research, development, manufacturing, licensing and acquisition of specialty generic pharmaceuticals. VGS is wholly-owned subsidiary of Kali Capital, L.P., which is controlled by Kali Management, LLC ("KALI"), its general partner, and Kali is controlled by Anu Subramanian, its managing member and daughter of Dr. Subramanian. The specialty pharmaceutical product initiative of the strategic alliance between Elite and Dr. Subramanian is to be conducted by Novel, of which we acquired 49% and VGS acquired 51% of its Class A Voting Common Stock for \$9,800 and \$10,200 respectively. Pursuant to the Alliance Agreement, VGS acquired for \$2,000,000: (i) 957,396 shares of our Common Stock (the "ACQUIRED COMPANY SHARES") at approximately \$2.089 per share and (ii) a five year Warrant to purchase 478,698 shares of our Common Stock (the "WARRANT SHARES"), for cash, at an exercise price of \$3.00 per share, subject to adjustment upon the occurrence of certain events. We contributed \$2,000,000 to Novel and have agreed to

provide additional contributions within 30 days of the achievement of certain performance milestones (e.g., the initiation of development programs for prospective products, commencement and/or completion of clinical and/or bio-equivalence studies for prospective products, filings with the FDA of new drug or abbreviated new drug applications related to prospective products) to be mutually agreed to by us and Dr. Subramanian, who is employed as Chief Executive Officer of Novel, in Novel's Initial Business Plan (as defined in the Alliance Agreement), which may be modified in a subsequent Annual Business Plan (as defined in the Alliance Agreement), to occur during the initial 30 months following December 6, 2006 (collectively, the "PERFORMANCE MILESTONES"), with remaining contributions being subject to acceleration with unanimous approval of the Board of Directors of Novel. Such additional contributions shall be in amounts mutually agreed to by us and Dr. Subramanian as provided in the Initial Business Plan and each subsequent Annual Business Plan during the initial 30 month period and the aggregate amount of such additional contributions shall not exceed \$25,000,000, without our prior consent. We have agreed to provide Novel personnel staff, facility, supplies and equipment pending Novel's becoming fully operational with its own staff, facility, equipment and supplies. In the event that (i) we defer for more than 90 days the payment of a contribution installment due to Novel's failure to achieve a Performance Milestone, (ii) we fail to make a requisite contribution following Novel's achieving a Performance Milestone or (iii) Novel requires additional financing beyond amounts provided in the Business Plan or our agreed upon additional contributions, Novel may seek such financing through a subscription offering to its Class A Stockholders and, to the extent not fully subscribed, from third parties. We agreed to use our best efforts to elect Dr. Subramanian a member of our Board of Directors as long as we and our "permitted transferees" own at least 40% of Novel's outstanding capital stock and Dr. Subramanian is Chairman of the Board and Chief Executive Officer of Novel. Pursuant to an advisory agreement, Dr. Subramanian has agreed to provide advisory services to us, including but not limited to, assisting in the implementation of current and new drug product development projects of Elite and assisting in the recruitment of additional R&D staff members. As an inducement to enter into the agreement, we granted Dr. Subramanian a non-qualified stock option to purchase up to 1,750,000 shares of Common Stock (the "OPTION SHARES") at a price of 30 \$2.13 per share. The option vests as to 250,000 shares immediately and in subsequent 250,000 share installments, with one vesting on May 6, 2007, another on December 6, 2007, a third upon our acceptance of the Initial Business Plan of Novel, and the other installments vesting on the accomplishment of certain milestones with respect to the first or second drug product developed by us (excluding drug products of Novel) on or after the 60th day after December 6, 2006, under the advisory services provided to us. The option terminates on December 6, 2016, or 90 days following a termination of his advisory services to us or his employment by Novel other than a termination without Cause or by Dr. Subramanian for Good Reason or 48 months after the termination of his advisory services under the advisory agreement or his employment under the employment agreement as a result of: (i) a termination by us of the advisory agreement or by Novel of the employment agreement without Cause or by Dr. Subramanian without Good Reason or (ii) post-December 6, 2007, termination of the term of the advisory agreement or of the Novel employment agreement. All unvested options terminate upon the termination of the advisory agreement (other than a termination by the Company without cause or by Dr. Subramanian for Good Reason) or at such time as we and our permitted transferees own in the aggregate less than 20% of the outstanding capital stock of Novel, except to the extent we in our sole discretion have determined that Dr. Subramanian has provided substantial contribution to the development of any drug product which would otherwise trigger the vesting of options notwithstanding the failure to satisfy the foregoing 20% threshold. The parties also entered into a stockholders agreement which provides that as long as each of Company and VGS owns at least 10% of the shares of Class A Voting Common Stock of Novel, each shall designate one of the two Directors to constitute the Novel Board of Directors, with the VGS designee to be Dr. Subramanian, unless otherwise approved by Company. It prohibits the taking of certain actions without approval of the two designees, including, but not limited to, amendments of charter, by-laws and other governance agreements, spin-offs or public offerings of equity securities, a liquidation or dissolution, dividends, authorization or issuance of additional securities or options, bankruptcy, a material change of the business or a Business Plan, approval of a Business Plan and the yearly operating budget, creation of a security interest, capital expenditures in excess of 110% of the amount provided in the Business Plan, investments in excess of the amounts approved in the Business Plan, an increase or decrease of the Board; and any investments by Dr. Subramanian in any "Competitive Company" or its affiliate. The stockholders agreement further provides that determination of "Cause" or the "Disability" of Dr. Subramanian under his employment agreement shall be made solely in the reasonable discretion of the Company designee. Except for certain enumerated permitted transfers, the

Stockholders Agreement provides that no transfer of Novel stock may be made without the consent of the other stockholders. In the event Company fails to make required additional contributions, VGS has the right to purchase at the original purchase price from Company that proportion of its original shares of Novel Class A Common Stock equal to the proportion of the required additional contributions not made by Company. In the event of Dr. Subramanian's resignation from Novel for other than Good Reason or his termination by Novel for Cause or his death or disability as defined in the Employment Agreement, Company has the corresponding right to acquire up to 75% of VGS's original shares of Class A Common Stock of Novel at the original purchase price; such percentage to be reduced to 50% and 25% and 0% upon the first, second and third anniversary of the Stockholders' Agreement, with a pro rata portion of such reduction to be effected upon the death or disability of Dr. Subramanian during the applicable period. Each of Company and VGS has a right to acquire at the then fair value, Company's or VGS's shares of Novel upon the bankruptcy, dissolution or liquidation, a change of control of the other or, if as a result of the purchases at the original purchase price, the percentage of Novel owned by such party is less than 10% of Novel. Novel agreed to employ Dr. Subramanian as its Chief Executive Officer at a salary of \$220,000 per annum, with bonuses and options to purchase Novel's Common Stock to be granted at the discretion of Novel's Board of Directors. Dr. Subramanian is to perform his duties three full business days a week. Dr. Subramanian's employment may be terminated for "Cause" as defined 31 therein or by Dr. Subramanian for "Good Reason" as defined. Either party may terminate the employment upon 30-business days prior written notice to the other. Dr. Subramanian has agreed to a confidentiality covenant and also agreed to a non-solicitation covenant and not to directly or indirectly, manage, control, consult with, or engage (as either an employee or consultant) in any business or activity anywhere in the world involving a drug product that is competitive as defined with any drug products being developed or marketed by Novel, or proposed in a Business plan to be developed by Novel or its affiliate, or any related inventions or other intellectual property of Novel or any of its respective subsidiaries or affiliates (collectively, a "COMPETITIVE ACTIVITY"); and without the prior unanimous approval of the Novel Board to make any investment (whether equity or debt) not exceeding an aggregate of 5% of the equity, in any person engaging, or providing services or financing for, a Competitive Activity (a "COMPETITIVE COMPANY"), including any follow-on investments in any entity that, subsequent to the time of the initial investment, has become a Competitive Company, except a financing provided to a subsidiary or affiliate of a Competitive Company which is not itself engaged in a Competitive Activity during his employment and, unless his termination was by Novel without "Cause" or by Dr. Subramanian for "Good Reason", for one year subsequent as to non-competition and two years subsequent as to non-solicitation. Transactions with Mark Gittelman and Gittelman & Co. P.C. ----- For a description of the agreement between Elite and Gittelman & Co., P.C., please see "Compensation Discussion Analysis - Agreements with Named Officers". Mark Gittelman, our chief financial officer is the principal of Gittelman & Co., P.C. Series C Preferred Stock Financing ----- The following related persons participated in the Series C Preferred Stock Financing (described above under the caption Proposal 2 Approval and Ratification of Series C Preferred Financing):

- o Barry Dash, one of our directors, purchased 20 shares of Series C Preferred Stock and warrants to purchase 2,586 shares of Common Stock for a purchase price of \$20,000.
- o Affiliates of Adam Usdan, one of our stockholders which beneficially owns more than 5% of our outstanding Common Stock, purchased an aggregate of 2,000 shares of Series C Preferred Stock and warrants to purchase 258,619 shares of Common Stock for an aggregate purchase price of \$2,000,000.
- o Indigo Securities LLC of whom Edward Neugeboren, one of our current directors, is a consultant, acted as a selected dealer in the placement of the Series C Preferred Financing and received a \$194,547 cash commission and warrants to purchase 36,045 shares of Common Stock for its services.

Indigo Ventures LLC ----- On July 12, 2006, we entered into a Financial Advisory Agreement with Indigo Ventures LLC ("INDIGO") whereby, Indigo, on a non-exclusive basis, agreed to advise, consult with, and assist us in various matters as requested (and only to the extent requested) by us which may include, without limitation (i) a review of our business, operations and financial condition, including advising on capitalization structures; (ii) advice relating to general capital raising matters; (iii) recommendations relating to specific business operations, strategic transactions and joint ventures; (v) advice regarding our future financings involving debt or equity securities or any affiliate of ours; and (v) assistance with interaction between us and our current and future investors. We paid Indigo \$45,000 initially and then \$15,000 per month in connection with Indigo providing the consulting services. Additionally, Indigo acquired a warrant to purchase up to 600,000 shares of Common Stock at an exercise price of \$3.00 per share, which may be payable in the form of a promissory note. On February 13, 2007, the Financial Advisory Agreement was amended. As a result of the

amendment, the warrant was reduced from 600,000 to 300,000 shares, the warrant remains exercisable as to the remaining 300,000 shares of common stock (200,000 of which remain subject to vesting), the monthly 32 cash fees payable to Indigo terminated as of February 13, 2007 and the outstanding amount of the promissory note was reduced to \$75,000. Edward Neugeboren, one of our current directors is a consultant of Indigo. Previously, in March 2006, Indigo received \$800,000 cash compensation and placement agent warrants to purchase 355,555 shares of Common Stock in connection with acting as placement agent for the offering of our Series B Preferred Stock. SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE To our knowledge, there was no person who, at any time during the fiscal year ended March 31, 2007, was a director, officer or beneficial owner of more than 10% of any class of our equity securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, who failed to file on a timely basis the reports required by Section 16(a) of the Securities Exchange Act of 1934. Dr. Barry Dash filed one late Form 4 since the fiscal year ended March 31, 2007. STOCKHOLDER PROPOSALS The deadline for submitting a stockholder proposal under Rule 14a-8 of the Securities Exchange Act ("Rule 14a-8) for inclusion in our proxy statement and form of proxy for the next annual meeting of stockholders is October 26, 2007. Stockholders wishing to submit proposals outside of Rule 14a-8 must do so no later than December 13, 2007 to be eligible for presentation at the next annual meeting of stockholders. Any proposal should be addressed to Mark I. Gittelman, Secretary, Elite Pharmaceuticals, Inc., 165 Ludlow Avenue, Northvale, New Jersey 07647 and should be sent by certified mail, return receipt requested. HOUSEHOLDING OF PROXY MATERIALS The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement addressed to those stockholders. This process, which is commonly referred to as "householding," potentially means extra convenience for stockholders and cost savings for companies. Some brokers and other nominee record holders may be participating in the practice of "householding" proxy statements and annual reports. A single proxy statement will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that they will be "householding" communications to your address, "householding" will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in "householding" and would prefer to receive a separate proxy statement and annual report, please notify your broker or direct your written request to Elite Pharmaceuticals, Inc., Attn: Mark Gittelman, Secretary, 165 Ludlow Avenue, Northvale, New Jersey 07647. Stockholders who currently receive multiple copies of the proxy statement at their address and would like to request "householding" of their communications should contact their broker. WHERE YOU CAN FIND MORE INFORMATION We file reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934, as amended. The SEC maintains an Internet world wide web site that provides access, without charge, to reports, proxy statements and other information about issuers, like Elite, who file electronically with the SEC. The address of that site is <http://www.sec.gov>. You also may obtain copies of these materials by mail from the Public Reference Section of the Securities and Exchange Commission, 100 F Street, N.E., Room 1580 Washington, D.C., 20549, at prescribed rates. These materials are also available from the SEC in person at any one of its public reference rooms. Please call the SEC at 1-800-SEC-0330 for further information on its public 33 reference rooms. You may read and copy this information at the following location of the SEC: Public Reference Room 100 F Street, N.E. Room 1580 Washington, D.C. 20549 You can also obtain, without charge, reports, proxy statements and other information, including without limitation, any information we may incorporate by reference herein, about the Company, by contacting: Elite Pharmaceuticals, Inc., 165 Ludlow Avenue, Northvale, New Jersey 07647, Attn: Corporate Secretary, telephone: (201) 750-2646, facsimile: (201) 750-2755. OTHER MATTERS A copy of our Annual Report on Form 10K for the fiscal year ended March 31, 2006, including financial statements, accompanies this proxy statement. We are incorporating by reference from this Annual Report the financial statements and supplementary data, the management discussion and analysis of financial condition and results of operation and quantitative and qualitative disclosures about market risk. May 29, 2007 By Order of the Board of Directors Mark I. Gittelman, Secretary 34 ELITE PHARMACEUTICALS, INC. PROXY FOR ANNUAL MEETING OF STOCKHOLDERS JUNE 26, 2007 THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS The undersigned hereby appoints Bernard Berk and Mark I. Gittelman, and each of them, with full power of substitution, to vote, as a holder of the Common Stock, par value \$0.01 per share ("Common Stock"), of Elite Pharmaceuticals, Inc., a Delaware corporation (the "Company"), all the shares of Common Stock which the undersigned is entitled to vote, through the execution of

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a proxy with respect to the Annual Meeting of Stockholders of the Company (the "Annual Meeting"), to be held at the offices of Reitler Brown & Rosenblatt LLC, 800 Third Avenue, 21st Floor, New York, New York 10022, on June 26, 2007 at 10:00 a.m. EDT, and any and all adjournments or postponements thereof, and authorizes and instructs said proxies to vote in the manner directed below. THE BOARD OF DIRECTORS RECOMMENDS THE VOTE FOR THE ELECTION OF THE NOMINEES FOR DIRECTORS NAMED BELOW AND PROPOSALS 2, 3 AND 4. 1. Election of Directors: Bernard Berk, Barry Dash, Melvin Van Woert, Veerappan S. Subramanian and Robert J. Levenson FOR all Nominees [] WITHHOLD for all Nominees [] If you do not wish your shares voted FOR a nominee, draw a line through that person's name above. 2. Proposal to approve and ratify the Series C Financing described in the Proxy Statement. FOR [] AGAINST [] ABSTAIN [] 3. Proposal to ratify the appointment of the independent auditors. FOR [] AGAINST [] ABSTAIN [] 4. In their discretion, the proxies are authorized to vote upon such other business as may properly come before such meeting or adjournment or postponement thereof. THIS PROXY IS CONTINUED ON THE REVERSE SIDE, PLEASE VOTE, SIGN AND DATE ON REVERSE SIDE AND RETURN PROMPTLY. BACK OF CARD PROPERLY EXECUTED AND RETURNED PROXY CARDS WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER. IF NO INSTRUCTIONS TO THE CONTRARY ARE MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF EACH OF THE NAMED NOMINEES AS DIRECTORS AND PROPOSALS 2 AND 3 AS DESCRIBED ON THE REVERSE SIDE OF THIS CARD. You may revoke this proxy at any time before it is voted by (i) filing a revocation with the Secretary of the Company, (ii) submitting a duly executed proxy bearing a later date or time than the date or time of the proxy being revoked; or (iii) attending the Annual Meeting and voting in person. A stockholder's attendance at the Annual Meeting will not by itself revoke a proxy given by the stockholder. (Please sign exactly as the name appears below. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign with full corporate name by president or other authorized officer. If a partnership, please sign in the partnership name by authorized person.) Dated:
----- Signature ----- PLEASE COMPLETE, SIGN, DATE
AND RETURN THE PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE. -----
----- Signature, if held by joint owners